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ANALYSIS OF DOMESTIC INDUSTRY IN CROATIA

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To get an accurate estimate of the possibilities of developing Croatian domestic industry, which as a branch of local production processes locally available raw materials by utilizing surplus manpower, it is necessary to study the regions and production branches of Croatia.

The data on the output of Croatian domestic industry has been collected by the people's councils and pertains only to products which have passed through the socialized commercial network and been registered with it. The data does not pertain to the other, much larger, quantities of products, produced primarily in rural areas and sold directly to consumers for money or traded for other goods.

A summary of the output of domestic industry in Croatia shows the following (in thousands of dinars):

	Production Reported by People's Councils		Value of Production Planned for 1950	Estimated Value of Actual Production in 1950
<u>Oblasts</u>	<u>1949</u>	<u>1950</u>		
Bjelovar	349	1,702	4,782	5,000
Dalmatia	10,793	3,284	13,725	25,000
Kr. ovac	5,828	11,714	9,959	30,000
Slj.	12,255	11,863	26,908	30,000
Rijeka	1,757	2,722	3,947	10,000
Zagreb	55,000	38,776	97,500	150,000
Total	85,982	70,061	161,821	250,000

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Zagreb Oblast leads in the production of domestic industrial goods, because not only is it rich in all kinds of raw materials, but being the largest commercial center in Croatia, it also receives enormous quantities of goods, a large part of which are eventually transported to other oblasts and even to other republics. The favorable conditions for the sale of goods in Zagreb provide the best incentive for producers to increase their output. Wickerwork (Cakovec), wooden articles (Ivanec and Donja Stubica), tablecloths (Velika Gorica), wooden toys (Donja Stubica and Zagreb), and pottery (Ivanec) are the leading items produced.

Osijek Oblast is second in production with toys, wooden slippers, brooms, shipping bags, willow baskets, etc. However, since there are thousands of acres of willow forests near Osijek the present production is quite insignificant in comparison with the possibilities.

Karlovac is third with the production of wooden agricultural tools, sorghum brooms, wooden utensils, etc.

Lack of raw materials is not the sole reason for the low production of Dalmatia and Rijeka. Sufficient manpower is available. The blame lies with the people's councils, who underestimate or do not know the potentialities of domestic industry, and with the ignorance of the people themselves.

There is no justification for Bjelovar Oblast to be last, for it has an abundance of all kinds of raw materials. Although it is a grain-growing region and the population is mainly occupied with agriculture, it has a sufficient surplus of manpower, especially in the winter. The failure is attributable to the inertia of the people, who are sufficiently provided with vital goods and do not desire additional income.

In comparing the 1949 and 1950 data, the logical conclusion would be that domestic industry is declining rather than developing. This is not true, however, for its actual value jumped from 87 million dinars in 1948 to 192 million in 1949 and approximately 250 million in 1950. The data for 1949 and 1950 reveals one more proof that rural producers are tending to bypass the socialized commercial network as much as possible by selling or trading their products directly to the consumer. They are doing so to evade contributing to market profits, and generally high reserve assets. Consequently, reserve assets should be lowered, and market profits eliminated.

Reports of the people's councils confirm that the majority of domestic products are sold or traded directly. This can be confirmed at markets and fairs. Moreover, goods are offered for sale on city streets. Yet, such sales are small compared with the quantities sold from door to door in the villages. The producers from Ivanec Srez, for instance, drive their wagonloads of pottery through Posavina and Podravina, trading the pottery for grain; the purchased pot is filled once or twice with grain and the trade is concluded. Many wooden utensils, agricultural tools, and similar things are also traded. Many trades are concluded in the producers' villages as compensation for personal services, such as plowing, hoeing, transport of building materials, etc. All these trades and direct sales represent enormous amounts which create no reserve assets of any kind. That is why, considering the production potential of individual srezes in producers and raw material available, the estimated value of production presented above can be taken as having been actually realized.

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The following shows the types of articles produced (in thousands of dinars):

	Production Reported by People's Councils		Value of Production Planned for 1950	Estimated Value of Actual Production in 1950
	1949	1950		
Various wooden items	10,982	11,802	20,726	30,000
Wooden agricultural tools	1,621	2,480	4,300	8,000
Wooden tool handles	162	17	250	700
Pack saddles and yokes	--	793	240	1,000
Spinning wheels and distaffs	129	40	547	500
Wooden slippers	2,110	3,005	6,133	6,000
Plaited whip handles	236	571	413	1,000
Wooden toys	3,410	939	9,810	15,000
Sieves	310	149	510	1,000
Chess sets	80	--	259	400
Willow baskets	9,362	2,731	15,838	12,000
Brushwood baskets	498	301	378	1,000
Birch brooms	1,563	2,617	2,805	5,000
Sorghum brooms	1,721	1,041	6,965	7,000
Brushes, reed, and bristles	2,307	650	7,062	7,000
Reed and stucco work	6,000	--	7,000	12,000
Articles made of rushes	2,075	3,214	2,582	10,000
Plaited cornstraw	32,324	4,975	41,949	56,500
Straw goods	2,230	3,941	2,594	8,000
Toys made from textiles	150	--	538	400
Toys made from various materials	165	3,369	573	500
Textile slippers and nets	100	2,134	482	3,000
Textile tablecloths	1,150	6,141	11,800	11,500
Wool clothing	--	3,270	--	8,000
Various haberdashery items	125	422	265	1,500
Pottery	7,116	11,573	10,805	20,000
Other products	56	3,886	6,997	15,000
Total	85,982	70,061	161,821	250,000

The above data illustrates the way in which goods bypass the commercial network. Cornstraw products are the best example. An investigation conducted at Nedelisce, near Cakovac, the main production center for cornstraw mats, revealed that the following deliveries were made to the agricultural cooperative, which had organized their production and purchase. During the first half of 1949, when there was no market profit charge, 113,000 mats were delivered; in the second half of 1949, when the market profit charge was 100 percent, 22,000 mats were delivered; and in the first 3 months of 1940, when the market profit charge was 30 percent, 2,400 mats were delivered. At the same time, actual production, as compared with 1949, had greatly increased.

Before the market profit charge was introduced, producers delivered their entire output to their cooperative store. After a profit charge of 100 percent was introduced, the flow of goods decreased rapidly and could not be checked even by reducing the profit charge to 50 and then 30 percent. Meanwhile, producers had discovered channels for direct sales, and now do not wish to return to the cooperative, which registers their products and thus creates a basis for taxing them. The same has happened to basket goods.

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However, there are some cases of increases in the flow of goods. These are mostly bulky items, such as barrels, tubs, or low price, mass-produced, wooden articles, difficult to dispose of through direct channels, and subject to a low market profit charge anyway.

Plaited cornstraw items, mostly women's purses and shopping bags, are the leading items produced. Considering that production of these items started in 1945, the annual production of over 50 million dinars' worth of these items illustrates the profitable utilization of raw materials which were formerly either used to a small extent or not at all.

Wooden items are second, and willow basketry third. Due to extensive cultivation of raw material sources and favorable export conditions for these items, their production will grow steadily and rapidly in the coming years. Pottery production is fourth because of a lack of lead-base varnish; this lack has led to the production of unglazed pottery, for which there is little demand. If sufficient quantities of lead are procured this year and the new ceramic kiln in Yerkovac near Ivanac is put in operation, production will increase two to three times, to approximately 50 million dinars' worth.

The production of wooden toys is an important item, especially in the villages of Vidovac near Zagreb, and Laze and Tugonica near Marija Bistrica. However, they can increase their production only by manufacturing better quality goods, for city toy manufacturers are competing more and more with better-made products than the attractive but rather primitively made village toys.

Other important items of domestic industry are wooden slippers, which replace leather footwear in lowland agricultural area; brushes and brooms, always in high consumer demand; textile tablecloths (Velika Gorica); and reed. Since reed can be exported, it is very important.

These are all items which new industrial plants in Yugoslavia have been unable to undertake as yet. They have been produced by the people themselves, without investments, without absorbing regular manpower, and without importing raw materials. However, Yugoslavia has at its disposal annually raw materials with a value of over one billion dinars (the annual output of willow alone amounts to 500 million dinars). Only one tenth of this raw material is utilized. The other nine tenths is lost because raw materials, such as straw, reed, sedge, and willow cannot be kept for the following year, but must be processed immediately.

In this discussion of Yugoslav domestic industry, only already existing branches have been considered, and not the raw materials and new industrial branches which could be utilized and developed. These include the intensive utilization of forests, medicinal herbs, small mines, sea products, homemade textiles, cloth and clothing articles manufactured from flax, hemp, and leather; production of building materials for local construction (concrete parts, timber, bricks, tiles), fruit and vegetable processing, distillation of ethereal oils and whiskey, etc.

Therefore, raw material which would otherwise be lost should be collected and transported to production centers. Domestic industry should be organized on a mass-production basis, by being undertaken in every house in the village and the city.

Some steps have been taken to establish srez enterprises for the production and processing of locally available raw materials. A dozen such enterprises organized in the main areas to collect raw materials and, in economically underdeveloped regions, to process them, would be sufficient in one or 2 years to double the production of Yugoslav domestic industry and increase its value to 500 million dinars. This would benefit the population itself as well as the areas, for the profits would go into the srez budgets. And, finally, mass production would benefit production for export, for there is much demand abroad for Yugoslav goods, such as willow

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baskets, cornstraw shopping bags, wooden agricultural tools, wooden furnishings, etc. However, the export business requires high-quality goods, which are difficult to attain because domestic demands are not yet satisfied. Mass production will meet domestic needs and will lower prices.

The people's councils do not realize the importance of organizing such enterprises. At present, there are only three such enterprises in Osijek, Novska, and Virovitica. Another is being established in Slavonska Pozega. Although the other srezes have all the conditions favoring the establishment of strong enterprises, they avoid establishing such enterprises, thereby depriving their srez budgets of considerable income (Osijek Srez alone has estimated a net profit of 35 million dinars).

The following measures are necessary:

1. To establish enterprises in the main centers of local raw materials and in some undeveloped areas.
2. With the help of courses, instructors, and craftsmen, to assure better quality products for export.
3. To abolish the market profit on domestic industrial goods and standardize taxes, to stimulate the flow of domestic industrial goods into the socialized commercial network.
4. To set up a better accounting system for production at srez people's councils.

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